

Commonwealth of Kentucky  
Before the Public Service Commission

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PUBLIC SERVICE  
COMMISSION

In the Matter Of:

Application of Natural Energy Utility )  
Corporation to bid on a Franchise ) Case No.  
for Natural Gas Service in Ashland, KY ) 2005-00289

Petition for Franchise Authorization

Natural Energy Utility Corporation, (NEUC) by counsel,  
petitions for authorization pursuant to KRS 278.020 to bid  
on a franchise offered by the city of Ashland, KY, **copy**  
**attached.**

1. NEUC is a natural gas distribution company regulated  
by the Public Service Commission. Its mailing address is 2560  
Hoods Creek Pike, Ashland, KY 41101. Its President is H. Jay  
Freemen;

2. NEUC's predecessor, Kentucky-Ohio Gas Company, was  
previously granted a franchise for Ashland in Case No. 92-547  
on December 18, 1992 and it and its successors have provided  
natural gas service continually since that date;

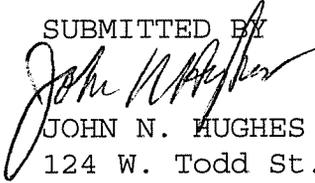
3. That franchise expired and the city has issued notice  
of the attached franchise. Based on the proposed franchise,  
there is a need and demand for service in Ashland;

4. NEUC has the ability to fulfill the requirements of

the proposed franchise.

For these reasons, NEUC requests an order authorizing it to bid on the proposed franchise of the city of Ashland, KY.

SUBMITTED BY



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ATTORNEY FOR  
Natural Energy  
Utility Corporation

**ORDINANCE NO. 54, 2005**

**AN ORDINANCE OF THE CITY OF ASHLAND, KENTUCKY, PROVIDING FOR THE ADVERTISEMENT AND SALE OF A FRANCHISE AUTHORIZING THE OWNER THEREOF TO OWN, MAINTAIN, CONSTRUCT AND OPERATE A GAS DISTRIBUTION SYSTEM UPON, ALONG, OVER AND UNDER THE STREETS, THOROUGHFARES, ALLEYS, SIDEWALKS, BRIDGES, PUBLIC WAYS AND OTHER PUBLIC PLACES OF SAID CITY AND REPEALING ORDINANCE NO. 176, SERIES OF 2004.**

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**BE IT ORDAINED BY THE CITY OF ASHLAND, KENTUCKY:**

**SECTION 1.** There is hereby created a franchise to construct, erect, operate and maintain upon, through, along, under, and over the streets, alleys, avenues, public roads, highways, bridges, viaducts, sidewalks and other public ways of the City of Ashland, Kentucky, a gas distribution system embracing underground lines, manholes, fixtures, and other apparatus, equipment and facilities necessary, essential, used, or useful to and in the operation of a gas distribution system, subject to all of the provisions of this ordinance.

**SECTION 2.** For brevity, the person, firm or corporation which shall become the purchaser of said franchise, or any successor or assignee of such person, shall be referred to as the "company", the City of Ashland, Kentucky shall be referred to as the "City"; the public streets, alleys, avenues, public roads, highways, bridges, viaducts, sidewalks, and other public ways, as the same now exist and including all which may be established or created, within the territorial limits of the City shall be referred to as the "streets"; the underground lines, manholes, fixtures, and any other apparatus, equipment and facilities necessary, essential, used, or useful to and in the operation of the gas distribution system shall be referred to as the "equipment and apparatus."

**SECTION 3.** Any company acquiring this franchise shall have the right and privilege of constructing, erecting, operating, and maintaining a gas distribution system, equipment and apparatus, upon, through, along, under, and over the streets within the corporate boundaries of the City as they now exist or may hereafter be extended,

subject to the provisions hereof and to all powers including police power inherent in, conferred upon, or reserved to said City.

SECTION 4. (1) No pavements, sidewalks, curbs, gutters, or other such street installations shall be disturbed and no excavation in any of the said streets will be made, except with the written permission of the City through a designated employee or official.

(2) When an emergency arises which requires immediate repair, the company may disturb or excavate a street without first obtaining written permission from the City; provided that the City is notified in writing of said repair within five (5) days of the start of such disturbance or excavation. This notification shall include at least the time, date, location, and extent of excavation or other work performed.

(3) When the company shall enter upon any street for the purpose of constructing, erecting, operating, maintaining, and/or removing equipment and apparatus, it shall prosecute the work, at its own cost and expense, with due diligence to protect the public and the City. The company shall dig and close up all trenches and exposed places as rapidly as possible, provide temporary access when reasonable to limit inconvenience, and shall leave the streets in the same or better condition as prior to its entry. All such repairs shall be maintained by the company for one (1) year in as good condition as the remainder of said street. In the event the company fails, refuses, or neglects to comply with the above provisions, the City shall have the right, after notice in writing having first been given to the company or any officer or agent representing it, to do said work or make said repairs, and the cost and expense thereof shall be paid to the City by the company within thirty (30) days from the date on which an itemized bill is presented to the company.

(4) (a) In the construction, reconstruction, maintenance, or removal of any of said equipment and apparatus, the company shall have the due regard for the rights of the City and others, and shall avoid interference with and injury to the property of the City or others. Said franchisee shall comply with all the laws of the Commonwealth of Kentucky and ordinances of the City as to placing lights, danger signals, barricades, or warning signs. Such work by the company shall be done in a

workmanlike manner and so as not to unnecessarily interfere with public use of any of said streets.

(b) All underground construction shall be accomplished between the hours of 9:00 AM and 3:00 PM unless otherwise authorized in writing by the City. However, the franchisee must provide notice to the City seven (7) days in advance of such underground construction. Notwithstanding these construction hours, construction shall not interfere with the services of the City or third parties.

SECTION 5. (1) Whenever the City or any of its departments, agencies, and/or agents, servants, or employees shall grade, regrade, construct, reconstruct, widen, or alter any street or shall construct, reconstruct, repair, maintain, or alter any other municipal public works therein, including but not limited to storm sewers, sanitary sewers, and street lights, it shall be the duty of the company, when so ordered by the City, within a reasonable time to change its equipment and apparatus in the street at its own expense so as to conform to the established grade or line of such street so as not to interfere with such municipal public works so constructed, reconstructed, or altered.

(2) The company shall be given access to the street plans and specifications, and any proposed modifications to such, in the possession of the City.

SECTION 6. Upon notice from the City, given reasonable in advance, that any street is planned to be constructed, reconstructed, widened, altered, paved, or repaved, the company shall make such extensions or changes in its equipment and apparatus, ahead of any paving, as shall be reasonable expected during the following one (1) year period; provided that if the company deems that no extension or change will be required during such period, it may refrain from doing so, but shall be precluded from disturbing the paving for such purposes for a period of one (1) year unless permission of the City is obtained. Any emergency repairs during this one (1) year period shall be cause for a full width restoration of any street to minimize the effect of company activity if so ordered by the City.

SECTION 7. The minimum clearance of all lines placed above the streets, and also the placement of underground facilities, shall conform to the latest industry standards including Code of Federal Regulations, 49 CFR Part 192 for

installation of transmission and distribution piping. The City reserves the right to require, by ordinance, observation of greater standards of safety than those contained in such industry standards.

SECTION 8. The company agrees by the acceptance of this franchise to indemnify, keep, and save the City free and harmless from liability on account of injuries or damage to persons or property growing out of the construction, maintenance, repair, and operation of its equipment and apparatus located upon, through, along, under, or over the City's streets. If any suit to enforce such liability shall be brought against the City, either independently or jointly with the company, upon notice by the City the company shall defend the City at the cost of the company and, in the event of final judgment being obtained against the City either independently or jointly with the company, the company shall pay such judgment with all costs and hold the City harmless therefrom.

SECTION 9. The City, through its City Commission, City Manager, or such assistants as it may employ or designate, at all reasonable times, may have access to the equipment and apparatus installed under this franchise for the purpose of inspecting or examining it, and may inspect, examine, or verify all or any of the accounts, books, records, contracts, documents, or papers of the company reasonable necessary to the administration of this franchise.

SECTION 10. The franchise hereby created shall be for a set term of ten ~~(10)~~ seven and one-half (7½) years from and after January 1, 2003, but is not exclusive, and the City reserves the right to sell similar franchises to others.

SECTION 11. The company is hereby given the right to assign the franchise created by this ordinance to any person, firm, or corporation able, ready, and willing to carry out the terms of this franchise, but prior to such assignment, shall obtain consent from the City to such assignment, which consent shall not be unreasonably withheld.

SECTION 12.

(1) As consideration for the rights conferred by the granting of this franchise, and to compensate the City for the use of its streets and rights-of-way and its superintendence of the franchise, the successful bidder for the term from January 1, 2003 through June 30, 2005, shall pay to the City a fee, the minimum

of which shall be equal to 36% of the charges paid for gas services by the City of Ashland upon the following conditions:

- (a) Such fees shall be initially fixed by separate ordinance which shall state the City's acceptance of the Company's bid.
  - (b) The Company shall remit to the City, quarterly, all amounts due under this franchise. The first such remittance shall be based upon revenues received by the Company during the first three (3) months following the effective date of the franchise as set forth in Section 19 hereof, and shall be paid within forty-five (45) days following such period. Thereafter, payments shall be made within forty-five (45) days after each subsequent three (3) month period. The final payment shall be paid within forty-five (45) days following the expiration of this franchise.
  - (c) In the event the City of Ashland makes no or insubstantial payments to a company as defined by this ordinance, the bid for this two and one-half (2½) year portion of the franchise shall be a minimum of \$3,000.00 payable within forty-five (45) days of the granting of a franchise.
- (2) As consideration for the rights conferred by the granting of this franchise, and to compensate the City for the use of its streets and rights-of-way and its superintendence of the franchise, the successful bidder for the term from July 1, 2005 through June 30, 2010 shall pay to the City a fee, equal to three percent (3%) of the gross annual revenues received by the franchisee from the sale of gas to all customers within the territorial limits of the City or any other revenue generated by or attributable to facilities or equipment or apparatus located within the territorial limits of the City. Gross revenues shall also include compensation from any ancillary services, including, but not limited to, advertising stuffers inserted into periodic billing statements or other notices.

- (3) (a) Such fees shall be initially fixed by separate ordinance which shall state the City's acceptance of the Company's bid.
- (b) The Company shall remit to the City, monthly, all amounts due under this franchise. The first such remittance shall be based upon revenues received by the Company during the first month following the effective date of the franchise as set forth in Section 19 hereof and shall be paid within thirty (30) days following such period. Thereafter, payments shall be made within thirty (30) days after each subsequent one month period. The final payment shall be paid within thirty (30) days following the expiration of this franchise.
- (c) If the franchisee does not already have tariffs approved by the Kentucky Public Service Commission as of the date of acceptance of its bid by the City, then no later than ten (10) working days after final acceptance of its bid by the City, the franchisee shall file an application or tariff with the Public Service Commission to provide for prompt and satisfactory cost recovery of the amount payable under this Section. The franchisee shall provide the City with copies of its currently approved tariffs or such tariffs that it files with the Public Service Commission in order to satisfy the obligations created by this subsection. If the franchisee fails to file its application or tariff within the specified time period, the City may, at its option, terminate the Franchise Agreement upon thirty (30) days written notice to the franchisee.
- (d) If, after a period of sixty (60) days from the filing of franchisee's application, the Public Service Commission shall have made no final determination concerning the prompt and satisfactory recovery of amounts payable under

this section herein by the franchisee, then the franchisee's obligation to pay the amount specified in this section shall be suspended, provided the franchisee shall first give the City ten (10) days written notice of its intention to suspend payment pending the decision of the said Commission. In the event of suspension of the franchisee's obligation as herein provided, the City shall have the option to terminate this franchise within thirty (30) days of receipt of said written notification from the franchisee.

- (e) If it is determined by the Public Service Commission (or its successor or court having jurisdiction) that all or any portion of said fee set forth in this section shall not be promptly and satisfactorily recoverable by the franchisee, the franchisee, at its election, shall thereafter be relieved of its obligation to pay such portion of the agreed franchise fee and in such case shall so notify the City in writing within five (5) working days of receipt by the franchisee of such order of the Public Service Commission or of such court decision. In such event, the City shall have the option to terminate this franchise within thirty (30) days of receipt of said written notification from the Company.
- (f) If, however, the Public Service Commission or other tribunal shall make a final determination providing for the prompt and satisfactory recovery by the franchisee of amounts payable under this section and the City has not cancelled the franchise in the interim, then the franchisee's obligation to make payment of such amounts shall resume from and after the date of notification by the City of such determination; provided, however, that any such notice shall be given in timely fashion.
- (g) No acceptance of any franchise fee payment by the City shall be construed as an accord and satisfaction that the amount paid is in fact the correct amount nor shall acceptance be deemed a release to

any claim the City may have for future or additional sums pursuant to this Ordinance. The City shall have the right to inspect the franchisee's income, financial, and gas consumption records relating to gross revenues in order to audit and to recomputed any amounts determined to be payable under this Ordinance. Any additional amount due to the City as a result of the audit shall be paid within ten (10) days following written notice to the franchisee by the City which notice shall include a copy of the audit report. If as a result of such audit or review the City determines that the franchisee has intentionally underpaid its franchise fee by five percent (5%) or more for any calendar month then in addition to making full payment of the relevant obligation, the franchisee shall reimburse the City for all of the reasonable costs associated with the audit or review, including all out-of-pocket costs for attorneys, accountants and other consultants. However, if such audit or review is performed in connection with a granting of a franchise, a transfer of control, or a modification, the franchisee shall reimburse the City for all of the reasonable costs associated with the audit or review.

- (h) In the event that any franchise payment or recomputed amount is not made on or before the applicable dates heretofore specified, interest shall be charged from such date at the annual rate of eight percent (8%). Overpayments discovered by the City or the franchisee shall be an adjustment on the next monthly payment without interest.
- (i) The City reserves the right to require the franchisee to collect any consumer or other tax or other fee that may be imposed on subscribers by the City.

SECTION 13. (1) The consideration set forth in the preceding section shall be paid and received in lieu of any tax, license, charge, fee, street or alley rental, or any other character of charge for the use and occupancy of the streets. It shall further be

in lieu of any inspection fee tax, easement tax, franchise tax whether levied as an ad valorem, special, or other character of tax, and any other tax, license, fee, or imposition other than the usual general or special ad valorem property taxes now or hereafter levied.

(2) Should the City not have the legal power to declare that the payment of the foregoing consideration shall be in lieu of such taxes, licenses, fees, and impositions, then the City declares that, should any such tax, license, fee, or other imposition be imposed upon the company, then to the extent necessary, the consideration to be paid hereunder may be applied toward the satisfaction of such obligations.

SECTION 14. It shall be the duty of the City Manager, or a subordinate designated by the City Manager, as soon as practicable after the passage of this ordinance, to offer for sale said franchise and privilege. Said franchises and privilege shall be sold to the highest and best bidders at a time and place fixed by the City Manager after due notice thereof has been given by advertisement in at least one (1) issue of a newspaper of general circulation within the territorial limits of the City. Such advertisement shall appear not less than seven (7) days nor more than twenty-one (21) days before the date bids are to be received. In addition to such advertisement, written notice of the proposed sale shall be given to the holders of the current or most recently expired gas distribution franchise at least twenty-one (21) days before the date bids are to be received.

SECTION 15. (1) Bids and proposals for the purchase and acquisition of the franchise and privileges hereby created shall be in writing and shall be delivered to the City Clerk or designated subordinate upon the date and at the time fixed in said advertisement for the receipt of such.

(2) Bids offered for purchase of this franchise shall state the bidder's acceptance of the conditions set forth in this ordinance.

(3) Any cash or check remitted by an unsuccessful bidder shall be returned.

SECTION 16. At the first regular meeting of the City Commission following the receipt of such bids, the City Manager shall report and submit to the City omission all bids and proposals for acceptance of bids. Acceptance of a bid shall be

expressed by an ordinance. The City Commission reserves the right, for and in behalf of the City, to reject any and all bids for said franchise and privilege. In case the bids reported by the City Manager shall be rejected by the City Commission, it may direct, by resolution or ordinance, that said franchise and privilege be again offered for sale, from time to time, until a satisfactory bid therefore shall be received and accepted.

SECTION 17. Any granting of the franchise created hereby shall include the obligation of the City to provide, at least twelve (12) months before its expiration, for the sale of a new franchise to the highest and best bidder on terms that are fair and reasonable to the City, to the existing holder of the franchise, and to its patrons.

SECTION 18.

1. Any violation by the company, its vendee, lessee, or successor of the provisions of this franchise or any material portions thereof, or the failure promptly to perform any of the provisions thereof, shall be cause for the forfeiture of this franchise and all rights hereunder after written notice to the company and continuation of such violation, failure or default.
2. For violation of any of the following provisions of this Ordinance, the penalties shall be recoverable as follows:
  - (a) For failure to complete any construction requiring a permit in accordance with the time constraints, set forth in this Ordinance, unless the City Manager specifically approves the delay by resolution because of reasons beyond the control of the franchisee, the franchisee shall forfeit five hundred dollars (\$500.00) per day or part thereof that the violation continues.
  - (b) For failure to provide data and reports as requested by the City and as required in this Ordinance the franchisee shall forfeit one hundred dollars (\$100.00) per day or part thereof that the violation continues.
  - (c) For failure to comply with the operational standards following the City Manager directing franchisee to make

SECTION 19. The franchise created by this ordinance shall become effective upon acceptance of the company's bid, as expressed in the ordinance of acceptance which additionally fixes the fees to be paid.

SECTION 20. The City reserves all rights it might presently have, or which it may hereafter acquire, to regulate the franchisee's rates and services.

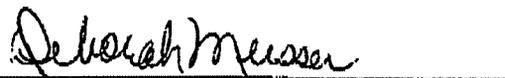
SECTION 21. Should any section, subsection, sentence, clause, or phrase of this ordinance be held to be unconstitutional or otherwise invalid by a court of competent jurisdiction, such decision shall not affect any other portion of this ordinance, it being the intention of the Board of Commissioners to enact this ordinance section by section, subsection by subsection, and all sentences, clauses or phrases hereof independently of any other section, subsection, sentence, clause or phrase.

SECTION 22. Ordinance No. 176, Series of 2004, is hereby repealed in its entirety.

SECTION 23. This ordinance shall be in full force and effect from and after its adoption, readoption an publication, as required by law.

  
MAYOR

ATTEST:

  
CITY CLERK

ADOPTED BY THE BOARD OF COMMISSIONERS: April 7, 2005  
READOPTED BY THE BOARD OF COMMISSIONERS: April 11, 2005  
PUBLISHED: \_\_\_\_\_

REQUESTED/SPONSORED BY: WILLIAM H. FISHER, JR., CITY MANAGER

/ORDINANCE/Franchise.Gas.Advertisement